

CONVERSION OF SMALL BUSINESS ENTERPRISES TO WAR PRODUCTION

MARCH 26 (legislative day, MARCH 5), 1942.—Ordered to be printed

Mr. HUGHES, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 2250]

The Committee on Banking and Currency, to whom was referred the bill (S. 2250) to mobilize the productive facilities of small business in the interests of successful prosecution of the war, and for other purposes, having considered the same, report favorably thereon with an amendment in the nature of a substitute and recommend that the bill as amended do pass.

STATEMENT

On February 5, 1942, the bill S. 2250 was reported unanimously by the Committee on Small Business and referred to the Committee on Banking and Currency. Extensive hearings on the bill were then held by a subcommittee at which various persons expressed their views with respect to the problems confronting small business enterprises and the necessity of mobilizing their activities to the fullest extent in connection with the war effort. The bill now being reported differs somewhat from the original bill, but it is believed that it provides an effective method by which small business concerns and their facilities may be utilized effectively for war-production purposes, and it is therefore recommended that the bill be speedily enacted.

ANALYSIS OF THE BILL BY SECTIONS

Section 1 of the reported bill confers additional authority upon the chairman of the War Production Board, and makes it his duty, through a deputy to be appointed by him, to mobilize aggressively the productive capacity of all small business concerns, and to determine the means by which such concerns can be most efficiently and effectively utilized to augment war production.

Section 2 authorizes the Chairman of the War Production Board, whenever and to the extent that he determines such action to be necessary, to provide in various ways for getting information about and utilizing for war-production plants operated by small business concerns. These include the making of inventories of productive facilities, directing attention of Government officials to the productive capacity of such plants, providing for the letting of subcontracts by prime contractors, encouraging through Government contracts the conversion of such plants to war production, certifying to the Smaller War Plants Corporation established by section 4 and to the Reconstruction Finance Corporation and its subsidiaries the amount of funds necessary for such conversion, making certifications with respect to competency, as to capacity and credit, of small business concerns to perform specific procurement contracts, obtaining reports from Government agencies engaged in war procurement, or financing war procurement or production, relating to the letting of contracts and subcontracts and the making of loans to business concerns, and making studies of the means by which small business concerns may be supplied with essential raw materials and receive fair and reasonable treatment from Government agencies without interfering with the efficiency of the war-production program.

Section 3 authorizes Government procurement agencies to let procurement contracts to small business concerns or groups thereof which have been certified by or under the authority of the Chairman of the War Production Board to be competent contractors with respect to capacity and credit, and without requiring them to meet any further requirements with respect to capacity and credit.

Section 4 establishes a Smaller War Plants Corporation with capital stock of \$100,000,000 to be subscribed for by the Secretary of the Treasury. The management of the Corporation is to be vested in a board of five directors to be appointed by the Chairman of the War Production Board. The Corporation is authorized to make loans or advances to enable small business concerns to finance plant construction, conversion, or expansion, to finance the acquisition of equipment, facilities, machinery, supplies, or materials, or to provide such concerns with working capital to be used in the manufacturing of essential articles, equipment, supplies, or materials. The Corporation may also purchase or lease land, purchase, lease, build or expand plants, and purchase or produce equipment, facilities, machinery, materials, or supplies to enable small business concerns to engage in essential production, and may lease, sell, or otherwise dispose of any of the foregoing to such concerns. In addition, the Corporation is authorized to act as a prime contractor for furnishing articles to the Government, and is to arrange for performing its contracts through letting subcontracts to small business concerns or others upon such terms and conditions as the Corporation may deem appropriate in accordance with regulations prescribed under section 201 of the First War Powers Act, 1941.

Section 5 requires information reports to the President and the Congress every 60 days by the Chairman of the War Production Board. The names of business concerns to whom contracts are let, or for whom financing is arranged, by the Corporation, together with the amounts involved, are to be included in such reports.

Section 6 provides for the servicing and collection by the Defense Plants Corporation of the loans, advances, and other financing arrangements made by the Smaller War Plants Corporation.

Section 7 amends section 5d of the Reconstruction Finance Corporation Act so as to authorize the Reconstruction Finance Corporation to make loans to and purchase obligations of business enterprises (including subscriptions to capital stock when requested by the Secretary of Commerce) for any purpose deemed by the Corporation to be advantageous to the national defense, under such terms and conditions and with such maturities as the Corporation may determine. The amended section also authorizes the War Department and the Navy Department to participate in or to guarantee any such loans made by the Corporation, and in that connection they are authorized to use funds available for procuring war materials, supplies, and equipment.

Section 8 provides that nothing in the act shall be construed to modify or limit in any manner authority vested in the Chairman of the War Production Board or in the Reconstruction Finance Corporation or any of its subsidiaries by Executive order or act of Congress.



Section 7 permits for the securing and collection by the Defense Finance Corporation of the loans, advances and other financial resources made by the smaller War Finance Corporation.

Section 8 permits for the conversion of the War Finance Corporation to the War Production Finance Corporation to enable it to continue the War Production Finance Corporation to make loans to and purchase of shares of business enterprises, including enterprises to capital stock with a request by the Secretary of Commerce for any purpose deemed by the Corporation to be advantageous to the national defense under such terms and conditions and with such facilities as the Corporation may determine. The attached section also authorizes the War Department and the Navy Department to participate prior to guarantee any such loans made by the Corporation, and in that connection they are authorized to use funds available for borrowing war materials, supplies and equipment.

Section 9 provides that nothing in the act shall be construed to modify or limit in any manner authority vested in the Chairman of the War Production Board or in the Reconstruction Finance Corporation or any of its subsidiaries by Executive order or act of Congress.